

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Joint Application of Wisconsin Electric Power )  
Company, as an Electric Public Utility, for Authority to )  
Construct a New Distribution Substation and Related )  
Electric Distribution Facilities in the City of )  
Wauwatosa and American Transmission Company, )  
LLC, as an Electric Public Utility, for Authority to )  
Construct Related 138 kV Electric Transmission )  
Facilities in the Cities of Milwaukee and Wauwatosa, )  
all in Milwaukee County, Wisconsin (Western )  
Milwaukee County Electric Reliability Project) )

Docket No. 5-CE-139

**REBUTTAL TESTIMONY OF DR. THOMAS JACKSON  
ON BEHALF OF  
AMERICAN TRANSMISSION COMPANY LLC AND ATC MANAGEMENT INC.**

1 **Q. Please state your name, the name of your company, and your business address.**

2 A. My name is Thomas O. Jackson, and I am the president of Real Property Analytics, Inc.

3 My business address is 4805 Spearman Drive, College Station, TX 77845.

4 **Q. Please summarize your educational background and work experience.**

5 A. My background and qualifications, scope of work, findings, conclusions and detailed  
6 opinions with respect to this matter are described below.

7 Clinical Associate Professor in the Mays Business School at Texas A&M University. For

8 over 10 years I have taught graduate level courses on real property valuation in the

9 Master of Real Estate program (formerly the Land Economics and Real Estate program).

10 This program is one of the oldest and largest graduate real estate programs in the U.S. I

11 have also taught courses on land development and land use planning in the College of

12 Architecture at Texas A&M. In addition, I am the President of Real Property Analytics,

13 Inc., based in College Station, Texas. I have over 30 years of experience in the valuation

14 of real property, urban planning and real estate consulting. For the past eighteen years, I

1 have specialized in analyzing the effects of environmental contamination on real  
2 property.

3 Former member of the Appraisal Standards Board (ASB) of The Appraisal Foundation.

4 The ASB develops, interprets and amends the *Uniform Standards of Professional*  
5 *Appraisal Practice* (USPAP), which contains the rules and procedures for appraising real  
6 property that are enforced by each state in the U.S. All certified and licensed appraisers in  
7 Texas and elsewhere are required to comply with USPAP. I am currently a member of the  
8 Appraisal Standards and Guidance Committee of the Appraisal Institute.

9 Ph.D. in Urban and Regional Science from Texas A&M University. The program of  
10 study for my doctorate included real property valuation, real property finance, real estate  
11 investment analysis, land development and applied statistical analysis. My dissertation,  
12 *The Effects of Environmental Contamination on Commercial and Industrial Real Estate*,  
13 was funded by the National Science Foundation and the Lincoln Institute of Land Policy.  
14 My research included national surveys of real estate lenders and investors concerning  
15 their perceptions of risks due to environmental contamination, as well as analyses of  
16 property sales data. In addition, I have a master's degree in city and regional planning  
17 from the University of North Carolina at Chapel Hill, where my program of study  
18 included housing economics and finance, real estate development and land use planning.  
19 I also hold a master's degree from The Ohio State University and a bachelor's degree with  
20 honors from the University of South Florida.

21 Professional designations and certifications. I am a member of the American Institute of  
22 Certified Planners (AICP); an MAI Member of the Appraisal Institute; a Counselor of  
23 Real Estate (CRE); and a Fellow of the Royal Institution of Chartered Surveyors

1 (FRICS). These professional designations have experience, education and other  
2 requirements. In addition, members of these professional organizations are required to  
3 abide by codes of ethics and professional standards.

4 Publications on real property valuation issues. I have over 30 publications and over 50  
5 presentations concerning the valuation of real property and related issues. My  
6 publications have been in books published by the American Real Estate Society and the  
7 Appraisal Institute and in peer-reviewed academic and professional journals such as the  
8 *Journal of Real Estate Research*, *Journal of Real Estate Practice and Education*, *Journal*  
9 *of Real Estate Literature*, *The Appraisal Journal*, *Real Estate Review* and *The Real Estate*  
10 *Finance Journal*. Further, I am a member of the Academic Review Panel and Statistics  
11 Work Group of *The Appraisal Journal*. I was the author of the Environmental Issues  
12 section of *The Appraisal of Real Estate, 13<sup>th</sup> Edition* (2008) by the Appraisal Institute, the  
13 leading appraisal textbook in the U.S., as well as the environmental contamination related  
14 definitions in *The Dictionary of Real Estate Appraisal, 5th Edition* (2010) by the  
15 Appraisal Institute. A copy of my CV is Ex.-ATC-Jackson-5.

16 **Q. What was the primary purpose of your assignment?**

17 A. The primary purpose of my assignment was to review the direct testimony of Steven  
18 Miner in this matter, dated October 15, 2012, concerning the estimated impact of the  
19 proposed transmission line routes on property values in the City of Wauwatosa. This  
20 review is intended for use in proceedings before the Public Service Commission of  
21 Wisconsin regarding the Western Milwaukee County Electric Reliability Project. The  
22 intended users of this review include my client, American Transmission Company

1 (ATC), its attorneys, as well as the Public Service Commission of Wisconsin and others  
2 involved in this matter.

3 **Q. What was your scope of work in developing this appraisal review?**

4 A. My scope of work was limited to a desk review of the direct testimony of Steven Miner  
5 in this matter, dated October 15, 2012, as well as a review of general project information  
6 available on the ATC Electric Transmission Projects webpage. I was not provided with a  
7 report from Steven Miner, or with any supporting documentation. I did not personally  
8 inspect the properties at issue in this matter. The effective date of my review is November  
9 1, 2012. Miner does not identify an effective date for the opinions and conclusions set  
10 forth within his direct testimony. My signed certification is included as Ex.-ATC-  
11 Jackson-4.

12 **Q. Does the testimony of Steven Miner provide a valid estimate of the impact of the**  
13 **proposed transmission line routes on property values in the City of Wauwatosa?**

14 A. No, the testimony of Steven Miner does not provide a valid estimate of the impact of the  
15 proposed transmission line routes, if any, on property values in the City of Wauwatosa.  
16 The conclusions proffered in his testimony are not adequately supported by market  
17 evidence. Furthermore, his conclusions are inconsistent with the professional literature  
18 and with our own analysis of sales in this area.

19 **Q. Does it appear that Steven Miner complied with the Uniform Standards of**  
20 **Professional Appraisal Practice (USPAP) in his analysis of property value impacts**  
21 **in the City of Wauwatosa?**

22 A. It appears from Miner's testimony that he failed to comply with USPAP in his analysis of  
23 property value impacts. According to the Scope of Work Rule in USPAP, an appraiser's

1 scope of work is acceptable when it meets or exceeds the expectations of parties who are  
2 regularly intended users for similar assignments, and what an appraiser's peers' actions  
3 would be in performing the same or a similar assignment (page U-14). USPAP goes on to  
4 say that "an appraiser must be prepared to support the decision to exclude any  
5 investigation, information, method, or technique that would appear relevant to the client,  
6 another intended user, or the appraiser's peers" (page U-14). Miner does not define his  
7 scope of work and fails to present any generally accepted appraisal methodology to  
8 support his estimates of property value diminution. Other than the review of a limited  
9 number of articles and undocumented discussions with other assessors, it is unclear what  
10 analysis, if any, was conducted. Miner makes assumptions throughout his testimony  
11 regarding the impacts of the proposed high voltage transmission lines (HVTLS), but he  
12 does not present any relevant market evidence to support those assumptions.

13 **Q. Does Miner's testimony provide any basis for his estimates of property value**  
14 **impacts to commercial properties and vacant land?**

15 A. Miner's testimony does not provide any basis for or evidence in support of his estimates  
16 of impacts to commercial properties and vacant land. Again, this violates the Scope of  
17 Work Rule of USPAP, which states that "credible assignment results require support by  
18 relevant evidence and logic" (page U-13).

19 **Q. Does Miner provide any basis for his estimates of property value impacts to**  
20 **residential properties?**

21 A. Miner's testimony references four published articles which discuss impacts to single  
22 family residential properties due to proximity to HVTLS. Other than these four articles  
23 and a reference to undocumented discussions with other property assessors, Miner does

1 not present any evidence or market data to support his estimates of diminution to  
2 residential properties.

3 **Q. Is the review of published literature considered a generally accepted appraisal**  
4 **methodology?**

5 A. The review of relevant published literature can provide insight and context when  
6 analyzing the property value impacts from externalities such as HVTLs. However,  
7 literature review is not a generally accepted method for analyzing property value  
8 diminution, and it does not provide an adequate basis on which to draw conclusions  
9 regarding the impacts to a specific property. Local market conditions, location, and other  
10 property characteristics should be considered in an appropriate analysis of property value  
11 impacts. General conclusions extracted from a body of literature cannot account for these  
12 property-specific conditions. It is inappropriate to apply findings from published studies  
13 directly to the single-family homes located along the proposed transmission line routes.

14 **Q. Are Miner's estimates of property value impacts to residential properties supported**  
15 **by the articles that he references in his testimony?**

16 A. Miner's estimates of property value impacts to residential properties are not supported by  
17 the articles that he references in his testimony. Three of these articles (Pitts and Jackson,  
18 Delaney and Timmons, and Mitteness and Mooney) describe surveys and interviews of  
19 market participants, and many of the participants found no impact to the lines, while  
20 others found a small negative impact and a few even indicated a premium due to  
21 increased visual clearance. The fourth article by Des Rosiers uses multiple regression  
22 analysis to estimate the impact of high-voltage transmission lines on single-family homes  
23 in the greater Montreal area. This study also reveals differing impacts based on proximity

1 to a power line and views on the lines and towers, ranging from an average discount of  
2 9.6% for homes adjacent to an easement and facing a tower, to a premium of 7.4% to  
3 9.2% for homes located 1 to 2 lots away from a tower.

4 Although these articles explicitly state that “being adjacent to the easement will  
5 not *necessarily* cause a house to depreciate” (Des Rosiers, page 297) and “high voltage  
6 power lines can affect residential property value to varying degrees in certain  
7 circumstances” (Delaney and Timmons, page 325), Miner applies a negative adjustment  
8 percentage to all of the homes along the proposed transmission line routes in Wauwatosa.  
9 He makes the unsupported assumption that “the above grade Segments 8a or 8b will both  
10 impact the homes on Underwood Parkway in negative ways. The change in the character  
11 of the neighborhood will be immediate and will negatively impact the desirability for the  
12 residents and potential future homeowners” (page 9 of Miner’s testimony). This is  
13 inconsistent with the findings from these four studies, which in many cases found no  
14 impact and in some instances even a premium resulting from proximity to HVTLS.

15 Although these articles emphasize the importance of considering individual  
16 property characteristics when estimating impacts from HVTLS, it does not appear from  
17 his testimony that Miner considered proximity to or view of the lines, market conditions,  
18 or property characteristics when applying his negative adjustment percentages. He  
19 applies a 4% negative adjustment percentage to all but two single family homes. Miner  
20 applies a 10% and 15% negative adjustment to the remaining two homes without any  
21 explanation or support, although these four articles suggest that when negative impacts  
22 do occur they are typically less than 10%.

1 **Q. Are you aware of any other published articles that discuss the impacts of HVTLs on**  
2 **residential property values?**

3 A. Yes, there is a substantial body of published literature discussing the impacts of HVTLs  
4 on residential property values, in addition to the four articles that Miner chose to review.  
5 It is unclear how or why Miner selected only the four articles referenced in his testimony.

6 **Q. What are the findings from this larger body of published literature?**

7 A. The majority of these studies have found no significant impacts on residential property  
8 values due to the presence of HVTLs. When a negative effect is evident, the studies  
9 report an average discount of between 2% and 9% of property value. Impacts diminish as  
10 distance from the line increases. These studies and their findings are discussed in more  
11 detail in my recent article in the Journal of Real Estate Literature titled *The Effects of*  
12 *Electric Transmission Lines on Property Values: A Literature Review* (Jackson and Pitts,  
13 2010).

14 **Q. What other investigation, information, method or technique should Miner have**  
15 **utilized or performed to analyze the value impacts on the commercial and**  
16 **residential properties at issue?**

17 A. Miner should have employed paired sales or case study techniques to analyze the effects  
18 on the specific properties potentially impacted by the proposed transmission line routes.

19 **Q. Have you conducted any paired sales or case study analyses in Wisconsin?**

20 A. Yes. In May 2012, I authored a study analyzing the effects of HVTLs on the sales price  
21 and value of commercial and industrial properties throughout Dane, Milwaukee, and  
22 Waukesha Counties in Wisconsin. The property types studied include office, retail,  
23 hotels, apartments, restaurants, vacant land, and a range of industrial properties. I



1 compared the sales prices of properties with transmission line easements and those  
2 located in proximity to HVTLs with otherwise similar properties of the same type not  
3 located in proximity to a transmission line.

4 **Q. What were your general findings in those analyses?**

5 A. Prices for the subject properties proximate to HVTLs were either consistent with or  
6 greater than prices for otherwise similar comparable non-proximate properties. Further,  
7 the lack of any effect on sales prices for the properties in this study was consistent with  
8 interviews of parties to each of the sales and other market participants.

9 **Q. What were your specific findings related to improved office sales?**

10 A. Included in our transmission line study were paired sales analyses of two office buildings  
11 in Milwaukee and Waukesha Counties. Details on the subject and comparable sales  
12 related to those analyses can be found in Ex.-ATC-Jackson-1 and Ex.-ATC-Jackson-2.  
13 Both subject sales' prices per square foot fell within the upper end of the range of market  
14 prices or above market prices, which indicated no price discount or diminution in value  
15 attributable to the presence of the HVTLs. In both cases, the buyer reported that the  
16 nearby HVTL had no effect on the sales price or marketability of the property.

17 **Q. What were your specific findings related to office land sales?**

18 A. Included in our transmission line study were paired sales analyses of two Madison area  
19 office land sales within the American Center Office and Business Park. The American  
20 Center Park includes a 42 acre land assemblage intended to house a future University of  
21 Wisconsin Hospitals & Clinics medical complex. Details on the subject and comparable  
22 sales related to those analyses can be found in Ex.-ATC-Jackson-3. Subject property land  
23 prices per square foot were consistent with comparable prices per square foot, and the

1 sellers of both subject properties indicated the proximity to HVTLs did not impact either  
2 sale.

3 **Q. Are Miner's estimates of property value impacts to commercial properties and**  
4 **vacant land consistent with the paired sales analyses that you conducted in**  
5 **Wisconsin?**

6 A. No, Miner's estimates of property value impacts are inconsistent with the findings from  
7 my paired sales analyses. The paired sales analyses find no impact to commercial  
8 properties or vacant commercial land due to proximity to HVTLs. In contradiction to  
9 these findings, Miner applies a negative adjustment percentage to every commercial or  
10 vacant property ranging from 1% to 40%. Again, he presents no sales data or market  
11 evidence to support these adjustments.

12 **Q. Does Miner's testimony present adequate support for his negative adjustment of**  
13 **40% to the County development parcel east of Mayfair Road?**

14 A. Miner does not present any market data in support of his negative adjustment of 40% to  
15 the County development parcel. He states in his testimony that "running the line above  
16 ground will reduce the desirability and highest and best use of the County parcels. If the  
17 lines are above grade the potential development will most likely be an industrial park as  
18 opposed to an office park" (page 8 of Miner's testimony). Miner draws this conclusion  
19 without presenting a highest and best use analysis to support this assumption. Standard 1  
20 of USPAP states that when developing an opinion of the highest and best use of real  
21 estate, "an appraiser must analyze the relevant legal, physical, and economic factors to  
22 the extent necessary to support the appraiser's highest and best use conclusion(s)" (page  
23 U-19). Miner fails to present any analysis of legal, physical or economic factors

1 influencing the highest and best use of this parcel. In contradiction to Miner's  
2 unsupported negative adjustment of 40%, my paired sales analyses show no impact to  
3 vacant land intended for use as an office development.

4 **Q. Does Miner's testimony present adequate support for his negative adjustment of**  
5 **95% to the UWM parcel east of Highway 45?**

6 A. Miner fails to present any market data in support of his 95% negative adjustment to the  
7 UWM parcel east of Highway 45. In Ex.-ATC-Jackson-3 – Economic Impact Summary  
8 Route A, he states that the parcel will be divided by the line and will therefore be  
9 unbuildable. Again, he presents no explanation or highest and best use analysis to support  
10 this statement.

11 **Q. What, in your opinion, is the significance of the *Uniform Standards of Professional***  
12 ***Appraisal Practice* (USPAP) to Mr. Miner's testimony about property value impacts,**  
13 **in light of his role and duties as the City of Wauwatosa Assessor?**

14 A. Mr. Miner is offering an appraisal as to the impacts of transmission lines. USPAP states  
15 that appraisals include "a relationship (e.g. not more than, not less than) to a previous  
16 value opinion or numerical benchmark (e.g. assesses value, collateral)." All appraisers in  
17 the U.S., including assessors, are required to comply with USPAP. As noted in the  
18 *Wisconsin Property Assessment Manual* from the Wisconsin Department of Revenue,  
19 "The International Association of Assessing Officers (IAAO) also prescribes standards  
20 and practices specifically for assessors. The IAAO was one of the founding members of  
21 the Appraisal Foundation and continues to be represented by that organization. The  
22 efforts of the Appraisal Foundation and the IAAO continue to be in concert, including the  
23 importance of providing USPAP standards that govern professional appraisal and

1 assessment practices. The [Wisconsin] Department of Revenue will require assessor  
2 compliance with USPAP by the year 2012.”<sup>1</sup>

3 In addition and as noted by the Wisconsin Association of Assessing Officers on  
4 its web site: “The *Uniform Standards of Professional Appraisal Practice* (USPAP) are  
5 the generally accepted standards for professional appraisal practice in North America.  
6 USPAP contains standards for all types of appraisal services.”<sup>2</sup> Since Miner’s analysis, as  
7 presented, is inconsistent with the principles and requirements of USPAP, his opinions in  
8 this matter are not reliable.

9 **Q. Does this complete your rebuttal testimony?**

10 **A. Yes.**

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<sup>1</sup> Page 1-1 of the Wisconsin Property Assessment Manual 2011

<sup>2</sup> [http://www.waao.org/USPAP/USPAP\\_home.htm](http://www.waao.org/USPAP/USPAP_home.htm)